INCOME
DISABILITY AND
REINSURANCE
COMPANY OF
CANADA

ANNUAL REPORT NINETEEN SIXTY NINE

DIRECTORS

Wm. E. Brunning, President, Income Disability and Reinsurance Company of Canada

Charles P. Flood, Vice-President and Secretary, Income Disability and Reinsurance Company of Canada

F. Paul Keefe, C.A., Director, Income Disability and Reinsurance Company of Canada

Wm. R. Latimer, Q.C., Partner, McCarthy & McCarthy, Toronto

Wilson J. Lee, Merchandising Executive, Retail Merchants' Association of Canada Inc., Edmonton

C. A. Read, C.A., President, Bonnycastle Travel Agency, Winnipeg

B. Rosenblatt, President, Tor-Mon Investments Limited, Hamilton

D. G. Ross, Director, Income Disability and Reinsurance Company of Canada, Toronto

H. Soule, Q.C., President, Hamilton Trust & Savings Corp., Hamilton

OFFICERS

William E. Brunning, President

Charles P. Flood, Vice-President and Secretary

REGISTRAR AND TRANSFER AGENT

Hamilton Trust and Savings Corporation, Hamilton

AUDITORS

McDonald, Currie & Co., Hamilton

BANKERS

Royal Bank of Canada, Hamilton

INVESTMENT MANAGERS

Fry Investment Management Limited, Toronto

LISTED ON

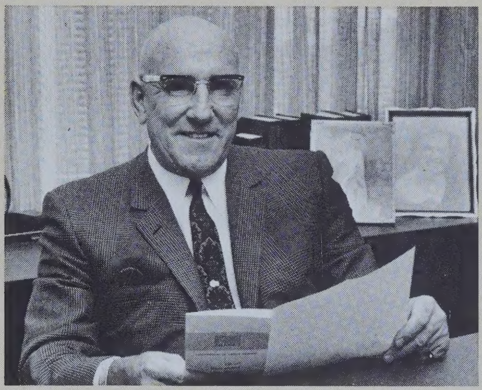
Toronto Stock Exchange

HEAD OFFICE

105 Main Street East, Hamilton, Ontario

MARKETING OFFICE

12 Sheppard Street, Toronto, Ontario



PRESIDENT'S REPORT

The year 1969 was the most successful in the Company's history, particularly from a marketing point of view. Gross first year premium income increased from $264,000 in 1968 to $609,000 in 1969 and, in the last three months of 1969, the Company was writing new business at an annual rate of $1,000,000 of gross premium. This remarkable growth was achieved, in large part, by the introduction of a number of unique and highly marketable new products and a substantial increase in the Company's sales force, to more than double that of a year ago.

To create this growth the Company invested $123,000 in non-recurring development costs. Since life insurance companies may not amortize their development costs in a manner consistent with other industries, these costs had to be absorbed in their entirety in 1969 with the effect that over-all net income before taxes decreased by $67,978 to $114,130. The introduction in 1969 of major tax legislation affecting the insurance industry required us to set aside a further $38,000 as provision for income tax.

Assets increased in 1969 by $489,645 to the record level of $4,021,234. The Company was further strengthened by an increase of $278,783 in actuarial and other policyholder reserves which now total $1,009,799.

Our Shareholders participated in our over-all level of financial success through the declaration of dividends totalling 20c per share in 1969.

This was essentially a building year. Momentum created in the earlier months grew as the year progressed. For example, in the latter months of 1969 and the beginning of 1970, no fewer than five major group cases were successfully negotiated and closed. A conservative estimate of the annual premiums from these cases would be $250,000. Further endeavours during the balance of the year in this and other fields should, we feel, be equally productive.

It is with great satisfaction we note that the momentum created by our building efforts during 1969 has carried over and is increasing in 1970. For example, we experienced a 30% increase in renewal premium for the month of January. This suggests that we can predict with confidence that every aspect of the Company's affairs, including its profit position, will advance significantly in 1970.

Your Directors wish to record their appreciation to Officers and to Sales and Head Office personnel for their continued effort and co-operation throughout the year.

On behalf of the Board of Directors,

Wm. E. Brunning

WM. E. BRUNNING,
President.

OUR WIDENING HORIZON

On February 15, 1970, after several months of negotiations, our Company concluded an agreement with Planned Investment Corporation, a well-known Mutual Fund management and distribution company with Head Offices in Montreal and branch offices in major Eastern cities. Both the President and the Executive Vice-President of P.I.C. have had a number of years of experience in the life insurance industry prior to the founding of their Company. Over the past two years, Planned Investment representatives have arranged life insurance to the extent of $20,000,000 through insurance options on investment plans. This volume of insurance was written and placed in spite of the fact that the Planned Investment representative could not be compensated for his effort in this area.

The two Companies have made joint application for dual licensing which, when effected, will permit the Planned Investment sales force to market, on a commission basis, all of the various life and disability coverages offered by our Company. In future, therefore, it is anticipated that the volume of insurance arranged by Planned Investment personnel will substantially increase due to the fact that for the first time they will be compensated for this part of their activities.

THE REASON FOR OUR SHORT-TERM MONEY POSITION

You will note that your Company is in a strong short-term money position. With recent extreme weaknesses in both the equity and bond market, this has been a sound policy, particularly in the light of the attractive interest available in the money market in this period. Management will, of course, be alert to take advantage of the prospect that market conditions are likely to change materially in the months that lie ahead thus affording opportunities to capitalize on this position.

THE YEAR IN REVIEW

We hope that these figures will assist you in having a clearer understanding of a life insurance statement. You will note that development costs are completely written off in keeping with insurance regulations. In particular, note that we spent an additional $69,000 in development costs which assisted us in increasing our first-year cash premium by $345,000.

New plans require sound actuarial analysis, both as to present cost and future profits. Actuarial Consultants of Canada Limited have appraised our new 1969 marketing effort and place it at a future value of $725,000.

	1969	1968		Change
First Year Gross Premium	$ 609,000	$ 264,000	+	$345,000
Gross Cash Premiums	1,737,953	1,319,293	+	418,660
Income before the Following Deductions	489,978	332,722	+	157,256
Increase in Reserves	252,848	96,614	+	156,234
	237,130	236,108	+	1,022
Development Costs	123,000	54,000	+	69,000
Income Before Taxes	114,130	182,108	—	67,978
Income Taxes	38,000	—	+	38,000
Assets	4,021,234	3,531,589	+	489,645
Actuarial and Policyholder Reserves	1,009,799	731,016	+	278,783
Dividends per Share	.20	—	+	.20
Book Value (see note below) . . .	11.00	10.91	+	.09

Note: Book value includes the investment reserve and the Company's investment in the Segregated Funds at cost which is less than market.

ASSETS

	1969	1968
Investments—		
Bonds and debentures	$1,319,894	$1,286,397
Short term deposits	836,107	78,705
Mortgages	858,097	1,478,449
Common shares	582,421	459,783
	3,596,519	3,303,334
Interest due and accrued	26,477	26,728
	3,622,996	3,330,062
Cash	19,187	—
Outstanding premiums receivable	43,953	47,197
Due from brokers and others	61,804	54,044
Amounts due from reinsurers	45,467	19,124
Other admitted assets	10,501	22,557
Segregated investment fund assets	217,326	58,605
	$4,021,234	$3,531,589

Signed on behalf of the Board:
WM. E. BRUNNING, Director
CHARLES P. FLOOD, Director

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1969

1. CHANGE IN ACCOUNTING PRINCIPLE

Because of a change in the type of accident and sickness insurance being sold, it was necessary for the company to change its method of recording the provision for unpaid and unreported claims. Had this change not been made, net income for the year would have decreased by $15,000. Had this change been in effect in 1968, net income for that year would have decreased by $15,000.

2. SHARE PURCHASE WARRANTS

154,720 Share purchase warrants are outstanding and must be exercised on or before December 31, 1975 at the following prices per share:
$12.00 until December 31, 1970
$14.00 thereafter and until December 31, 1972
$16.00 thereafter and until December 31, 1975

LIABILITIES, CAPITAL AND SURPLUS

	1969	1968
Actuarial reserve	$ 58,851	$ 12,018
Provision for unearned premiums	98,049	80,794
Provision for unpaid and unreported claims (Note 1)	501,683	439,592
Provision for contingencies	351,216	198,612
Deposit premiums pending policy issue	14,457	10,987
Premium taxes payable	17,844	13,633
Income taxes payable	38,000	—
Other liabilities	118,800	83,811
	1,198,900	839,447
Segregated investment fund liabilities	217,326	58,605
	1,416,226	898,052
Capital and surplus (Notes 2 and 3)		
Capital stock—Authorized 1,000,000 shares of $5 par value each		
—Issued 245,970 shares including 50 shares issued during the year for cash	1,229,850	1,229,600
Investment reserve	80,843	35,311
Surplus	1,294,315	1,368,626
	2,605,008	2,633,537
	$4,021,234	$3,531,589

3. OPTIONS TO PURCHASE SHARES

The company has 68,860 shares reserved for options as follows:

	Greater of 85% of market value or—		
	$7.50	$12.00	Total
Earned or granted	11,169	7,270	18,439
Balance available	38,141	12,280	50,421
Total shares reserved	49,310	19,550	68,860

Options at the greater of 85% of market value or $7.50 are available to sales personnel only. All options may be earned or granted on a formula established by the Board of Directors and these must be exercised upon certain dates specified by the Board but not later than April 1, 1974. No options were exercised during the year, however, a total of 14,240 options lapsed.

4. CONTINGENT LIABILITY

The company has guaranteed bank loans of insurance agents in the amount of $89,000.

INCOME DISABILITY AND REINSURANCE COMPANY OF CANADA

SUMMARY OF SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1969

	1969	1968
SURPLUS—BEGINNING OF YEAR	$1,368,626	$1,158,904
Add: Net income for the year	76,130	182,108
Reduction in investment reserve	—	64,689
Net gain on sale of securities	—	12,925
	1,444,756	1,418,626
Less: Appropriations—		
Dividend	49,184	—
Segregated investment fund	50,000	50,000
Increase in investment reserve	45,532	—
Net loss on sale of securities	5,725	—
	150,441	50,000
SURPLUS—END OF YEAR	$1,294,315	$1,368,626

INCOME DISABILITY AND REINSURANCE COMPANY OF CANADA

SUMMARY OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1969

	1969	1968
Premium income	$1,481,739	$1,241,097
Net investment income	195,704	191,664
	1,677,443	1,432,761
Net claims paid	485,807	491,833
Increase in claims reserve	109,489	128,484
Increase (decrease) in unearned premium reserve	17,255	(10,742)
Increase in actuarial reserve	44,503	9,212
Increase (decrease) in other special reserves	81,421	(30,340)
Commissions to agents	235,606	133,355
Increase in agents' balances	64,075	47,729
Premium taxes	30,055	22,385
Other operating expenses	495,102	458,737
	1,563,313	1,250,653
Net income before taxes	114,130	182,108
Provision for income taxes	38,000	—
Net income for the year	$ 76,130	$ 182,108

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Income Disability and Reinsurance Company of Canada as at December 31, 1969 and the related summaries of operations and surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records as we considered necessary in the circumstances. The claims reserve and other actuarial liabilities have been determined and certified by the company's actuary and have been accepted by us.

The total value at which the investments are shown on the balance sheet, after deducting the investment reserve, is not greater than that authorized under the insurance laws of Canada.

In our opinion, based upon our examination and upon the certification referred to above, the accompanying balance sheet and related summaries of operations and surplus present fairly the financial position of the company as at December 31, 1969 and the results of its operations for the year then ended, in accordance with accounting practices appropriate to the insurance laws of Canada, applied on a basis consistent with that of the preceding year, except as referred to in Note 1 with which we concur.

Hamilton, Ontario,
January 30, 1970.

McDONALD, CURRIE & CO.,
Chartered Accountants.

Roy M. VanSickle, Marketing Director -- Individual Sales explains recruiting plans with our Director of Education and Agency Supervisor.

Richard B. Horne, C.L.U., Director of Association Group, discussing the plan for the Canadian Bar Association with Roy A. Chittick, President of Benefit Plan Administrators, Group Insurance Administrators of The Canadian Bar Association.

Charles E. Kiernan, Director of Education, reviews benefits of equity-linked policies at one of the regular regional sales meetings.

HERE ARE SOME OF THE PEOPL

F. Paul Keefe, C. A., discusses with Eric H. Mason, Computer Analyst, plans needed to accommodate the ever-increasing administrative activity.

The company is particularly proud of its administration division, a number of whom are shown here.

Charles P. Flood, Vice-President and Secretary, discusses new business procedures with members of his staff.

WORKING FOR YOU AT INCOME

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